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ABSTRACT

This publication summarizes recent Arkansas legislation relevant to the well being of Arkansas children in the areas of juvenile justice, education and schools, child health and safety, welfare reform, and child welfare. The report further describes legislative efforts to protect juveniles in state custody and two proposed programs toward that end. The report also delineates state budgetary information for fiscal years 1999, 2000, and 2001. Included are special inserts on property taxes and the impact of federal welfare reform. (KB)

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A Publication of Arkansas Advocates for Children & Families

Kids At The Capitol

A Summary of Legislation Affecting Arkansas Children

June 1999

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Arkansas Advocates Marks 20 Years Lobbying at Capitol

1999 marked the 20th legislative session in which staff from Arkansas Advocates for Children & Families lobbied on behalf of children. As has been our habit over the 20-year span, we focused our efforts on several major bills, and monitored hundreds of other legislation affecting children.

Rich Huddleston and Paul Kelly, with help from Rhonda Sanders, were our principal lobbyists and worked diligently with legislators to craft reforms affecting welfare reform and juvenile justice.

As we have noted in earlier bulletins, term limits made citizen involvement in the legislative process all the more important. Legislators, particularly new legislators, relied on people from home. While we were well-known to veteran legislators, we were just more faces in a sea of new faces, names and agendas that overwhelmed new legislators upon arriving in Little Rock. Many of you contacted your new representatives or senators and told them to look for us during the session; they did look us up. We appreciate those introductions and urge you to do more of it in the future. Law-making is a messy process in the best of situations; when it is compounded by a lot of turnover and emotional issues, the potential for progress diminishes. Your help can make the process smoother, and we believe, more beneficial to children!

In the summary that follows are our comments regarding legislation that became law during the 82nd General Assembly. We have not attempted to write about every bill we followed, but have highlighted those we consider to be the most important. If you want more information, you can get copies of the acts on-line at the state's web site (<www.arkleg.state.ar.us>), or you can connect to it from our web site (<www.aradvocates.org>). If you have questions, feel free to contact any of our staff who lobbied during the session. They can give you feedback on the arguments used to pass the legislation, as well as tell you what they consider to be the law's biggest impact.

We want to thank some of our Kids Count Coalition partners who lent us their text for some sections of this summary. Feel free to make copies of this summary and distribute to your colleagues. Finally, as is always the case, now that the session has ended, the real work begins. — Amy L. Rossi, Executive Director

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With 2 Bills, Legislature Trying to Protect Juveniles in State Custody

In the aftermath of the Jonesboro killings and following a series of news articles exposing the shortcomings of the state's treatment of juvenile offenders, juvenile justice was touted to be a major topic of the 1999 session.

Joint legislative committees and a governor's task force held a series of meetings prior to the session, and in large part, set the juvenile justice agenda for this session. Even while juvenile justice shared the spotlight with taxes, highways, energy deregulation and the other issues of money, there were significant changes.

Act 1192, or the Extended Juvenile Jurisdiction (EJJ) Law, establishes "blended sentencing," where children convicted of certain crimes would first be confined to a juvenile facility until six months before their 18th birthday or until they violated the terms of their juvenile sentence. At that point the judge would hold a hearing to determine if an adult sentence should be imposed, or if the child was rehabilitated, a lesser sentence could be imposed or the child could be released from custody.

Youth under 14 are subject to blended sentences for capital and first-degree murder only. Youth 14-15 years of age are eligible for blended sentencing for capital murder, murder in the first degree, kidnapping, aggravated robbery, rape, battery in the first degree and terroristic acts. This new law allows children convicted of first-degree or capital murder to receive a sentence of up to life in prison.

EJJ states that children 14 and older would be presumed competent to stand trial for capital and first-degree murder. For youth 13 years of age, the burden would be on the defense to prove incompetence. Youth under 13 would be presumed incompetent to stand trial for these two offenses, and the burden to prove competence would be placed on the state.

An important standard of competency has been established under this new law. Unlike previous competency requirements, this new law requires an in-depth and thorough assessment of mental and judicial competency. This includes social, clinical and developmental history and the sources from which this information was obtained. Competency also includes mental status data, psychological testing, comprehensive intelligence tests, a reliable episodic memory, logical decision making abilities and multi-factored problem solving. These are among the most comprehensive competency requirements in the country and will assure that only those youth with full adult-like capacities will be found competent.

These tough competency requirements and the fact that more 14 -15 year old offenders will be diverted from adult to juvenile court are seen as a progressive step in the right direction. The real test of this new law will be seen in how such cases are handled in local courts during the upcoming years.

Ombudsman Program

The Juvenile Ombudsman Program was passed in response to concerns for youthful offenders placed in secure juvenile facilities operated by the Division of Youth Services.

Operating as a division under the Public Defenders Commission, the ombudsman program will hire social workers, psychologists or others trained to assist in the development and monitoring of rehabilitation taking place in these institutions.

The ombudsman will be a liaison between the adjudicated offender, the sentencing court, the child's family members, the Division of Youth Services and legislators to better monitor and assist in rehabilitation. The ombudsman will help develop better rehabilitation plans, explain to the youth and their family what is to be expected, and document the extent to which these plans are being implemented by DYS personnel. Located throughout the state, the ombudsmen will also bring to the attention of DYS problems they observe, complaints made by youth, and otherwise act as a troubleshooter within these facilities.

The ombudsman program is expected to provide outside monitoring of these facilities and provide useful information to determine the extent to which DYS is acting to rehabilitate and care for the youth in their care. Periodic reporting to DYS and the legislative committees responsible for oversight is also required.

Juvenile Justice

Act 1353 Sex and Child Offender Registration Act This law requires juveniles adjudicated delinquent for sexually violent offenses, sex offenses or offenses against a minor, to submit to an assessment by the Sex Offenders Assessment Committee at the time of the adjudication.

The committee shall submit its assessment and recommendation to the judge. This committee shall be created effective July 1. The juvenile judge has the discretion to order the juvenile to register with the juvenile court clerk after an adjudication of delinquency for a sexually violent offense, sex offense or an offense against a victim who is a minor on or after Sept. 1. The court may order a reassessment or the juvenile to register at any time during the court's jurisdiction over the juvenile.

LAWS TO ADDRESS PROBLEMS AT DYS

Act 469 Increases the training and education requirements for DYS workers and security officers.

Act 525 Requires DHS to report to the proper legislative committees prior to privatizing a function previously performed by state employees of DYS.

Act 770 Requires the Health Department to conduct random health inspections of facilities operated by DYS and the Department of Corrections to conduct random security audits.

Act 1030 Requires that juveniles committed to DYS be segregated by age and the seriousness of the offense.

Act 1272 Requires DYS to establish a facility for juvenile offenders ages 18-21, if funding is available.

MORE LAWS RELATED TO JUVENILES

Act 1408 Prohibits possession by minors of hand-laser pointers without the supervision of a parent, guardian or teacher. No penalty prescribed, but provides for seizure by law enforcement.

Act 1331 Makes it unlawful for juveniles under 18 to possess or use cigarettes or other tobacco products. No penalty prescribed, but provides for seizure by law enforcement or school official.

Act 954 Amends the juvenile code to provide exceptions to the release of arrest, detention, or court records upon written court order, if for the purpose of obtaining services for the juvenile or to ensure public safety. Medical, psychiatric and psychological records shall remain confidential unless waived by the parent/guardian in writing.

Disclosure of information is limited to the following: school counselor, juvenile court probation officer or caseworker, spiritual representative designated by the juvenile or his parent/guardian DHS caseworker, community based provider designated by the court, the school or parent/guardian, Department of Health representative, the juvenile's guardian ad litem or other court appointed special advocate. These individuals may assemble to exchange information to discuss options for assistance, to implement a plan of action to assist the juvenile and to ensure public safety.

There is civil liability for noncompliance of exchange restrictions. The juvenile and his parent/guadian must be notified within a reasonable time before and may attend any meeting when three or more of these individuals gather for said purpose.

Act 1451 Permits the Arkansas Crime Information Center access to delinquency adjudication records for juveniles adjudicated delinquent for any felony or Class A misdemeanor wherein violence or a weapon was involved.

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Education & Schools

AACF tracked well over 100 bills related to education. Several issues received the most legislative attention. First and foremost was the issue of property tax. As described in the tax part of this legislative summary, education is the principal beneficiary of the revenue collected from the property tax. For that reason almost any other legislation affecting education took a back seat to the discussion; nevertheless, two other themes emerged to take both time and effort from legislators and special interests. They were: home schooling and charter schools.

Attempts to regulate or restrict the private home school efforts were soundly defeated. Although some home school legislation did pass, it simply clarified annual reporting requirements and limited parents from putting their children, who are being disciplined for violation of school policies, into home schools. Sens. Argue and Brown worked bipartisanly to craft a new charter school bill that increased the likelihood that this experimental education model will happen in Arkansas. The bill carefully recognizes the separation of church and state and firmly enforces the procedures that keep the charter school a public school.

A bill to mandate school uniforms in public schools was also hotly debated and resulted in a much-amended version that passed into law. In addition to these issues, the House Education Committee spent some time discussing quality early childhood education and childcare issues before sending legislation for interim study. Committee members advise us that they want to study the issue more carefully over the next two years and devise solutions that build consensus and cooperation while recognizing the realities of affordability and accessibility in child care.

Act 324 (HB1436) This act requires the Arkansas Early Childhood Commission to examine regional and national recommendations of cost-effective ways to provide child care and early childhood services, and recommend a structure for the administration of existing programs as well as recommended programs. Activities of the Commission will be submitted to the Legislature in an annual progress report.

Act 858 (HB1411) This amended current law governing the Academic Challenge grants available to graduating seniors from Arkansas high schools who wish to attend an Arkansas college or university. It raised the family income eligibility threshold from $35,000 to $70,000; two-child households to $75,000; three-child households to $80,000; and households with more than three children, an additional $5,000 per year for each child. The annual maximum scholarship for eligible students graduating after Dec. 31, 1998, is $2,500.

Act 911 (HB1643) Requires Department of Education to establish model learning standards for core subjects for each grade level. The standards are to be published in pamphlets and distributed to parents so they will know what level of performance is expected of their children by grade. This will be reviewed and revised annually by DOE to give to parents.

Act 769 (SB125) This establishes the School Performance Report Card which must be provided to all parents of children enrolled in Arkansas public schools.

The report card shall reveal the schools performance in basic areas of safety; discipline; norm-preferenced test results; criterion-referenced test results; percentage of students promoted to the next grade; certified staff qualifications; total per pupil spending; amount of taxpayer investment per student; students eligible to receive free or reduced meals; average staff salary; and average attendance rates for students and faculty.

The report will compare each school to national and state averages for these indicators. The report shall be written in parent-friendly text and shall be mailed to parents by Aug. 15 of each year. Additional indicators are added to the report on middle, junior and high schools. No information will be reported reflecting on individual students.

Act 1117 (HB1724) Amends home school legislation by establishing guidelines by which parents who home school must notify their district public school. Parents must notify the school district of their intent to home school their children for fall semester by Aug. 15 and for spring semester by Dec. 15.

If a parent withdraws their child from public school in order to home school, notification must be given 14 days prior to withdrawal and annually thereafter. New residents to Arkansas who home-schooled in another state must notify the appropriate district within 30 days of their establishing residency.

It also establishes criteria for home-schooling a child who is under disciplinary action by the local school district.

Act 999 (SB751) This act provides direction for the Department of Education's administration of the Arkansas Competency Testing, Assessment and Accountability Program. This program is designed to report children's performance by grade level. Schools are required to develop intervention and remediation plans for any student who is not performing at grade level to address problems early on rather than trying to correct them later. Particular emphasis is given to identifying and assisting children

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K-4 who don't perform well in reading and math.

The Department of Education is responsible for assisting school districts in identifying appropriate methods and measures for assessing student performance as well as assisting in developing appropriate interventions. The program is intended as a multi-year commitment to assess the actual progress and performance of Arkansas public schools.

Act 855 (HB1212) This bill eliminated the summer school program that had been mandated in the Tucker administration for children falling behind grade level in grades K-3. This act requires schools to provide either a remediation program during the school year or summer school for K-3 students not performing at grade level in order for them to be promoted.

Act 253 (SB163) Establishes the Department of Workforce Education. (see Welfare Reform section)

Act 890 (SB562) This act repeals the former charter school law and replaces it with new guidelines for establishing charter schools. A charter school is a public school that operates under charter granted by the state board. An open enrollment charter school is one run by an eligible non-profit or commercial entity or a public school district which meets specific rules defined by law and approved by state board. Only 12 open-enrollment schools can be granted by the state board with no more than three in any congressional district of the state.

The state board is instructed to develop rules and regulations for charter schools as well as report charter school progress to the General Assembly each biennium with interim reporting to the House and Senate Education Committees.

The law establishes certain guidelines to comply with public schools such as providing special education and assuring no religious programming nor student tuition or extraordinary fees. The Department of Education is charged with providing an annual evaluation of charter schools to include student test scores, grades, attendance, disciplinary incidents, and parent and student satisfaction.

Act 1301 (SB002) Local school boards shall appoint advisory committees to consider adopting a uniform dress code by the year 2000. If the decision has not been made by 30 days before the next school election, then the issue must be placed on the ballot of the next school election.If passed, the school board shall prescribe appropriate school uniforms and implement the policy.

Voters may petition the board for reconsideration of the issue after the policy has been implemented for at least one year. The law provides that students with parental consent may opt out of the uniform policy if no alternative placement is reasonable. It also allows any school to adopt a uniform policy without calling for a school election.

Act 508 (SB450) This requires the Department of Higher Education to report on remediation rates of students enrolled in college with high school GPAs of 3.0 or higher. They must calculate the amount of state funds used for remediation and requires that no four year institution can exceed amounts spent as of the 1996-97 school year. This is another accountability measure to determine how well schools are preparing students for higher education.

Act 570 This new law sets a statewide requirement that children be age 5 by Sept. 15 for kindergarten enrollment. The law no longer premits districts with 50 pecent of enrollment on free lunch an exception to this uniform date. It does allow those children age 4 during 1998 or 1999 who have been enrolled in instructional programs to enter kindergarten in 1999 if they will be 5 years old by Oct. 1 1999.

BILLS THAT DID NOT BECOME LAW

HB2156 would have created the Institute to Study the Prevention and Intervention of Violence in Schools in Rural Communities.The Institute would have been located on the campus of Arkansas State University in Jonesboro. Sponsored by Rep. Shane Broadway, this bill was also known as the Arkansas Safe Schools Act of 1999.

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Act 849 (SB684) This law changes the ARKids First health insurance program from a demonstration to a permanent program in the state's Medicaid plan. This program has been operational almost two years and has provided health insurance to over 40,000 previously uninsured children. This law does not guarantee the program will be funded, but it establishes it more firmly in the state's priorities. The passage of this law also brings a significant policy change with it — the waiting period will be reduced from 12 to six months to enter into the program for children previously covered under certain types of insurance.

Act 1113 (HB1183) This act allows a tax credit to people or families with phenylketonuria (PKU), and stipulates that health insurance plans cover the remaining costs for medically-necessary foods related to this specific metabolic disorder. This passed both chambers unanimously. This law is expected to allow this credit to approximately 60-70 people in the state. The original bill would have required insurers to provide full coverage for the special diet foods for any person with an inborn metabolic disorder.

Act 382 (HB1343) The Laser Pointer Act prohibits the sale of handheld laser pointers to minors and defines penalties for minors possessing them or using them to shine in people's eyes.

Act 851 (SB417) This law allows for the licensing of physician assistants in Arkansas. This is expected to have a positive impact on health care access and service in rural parts of the state, and to help regulate the PA profession within the state. PAs can only practice under the supervision of a medical doctor.

Act 301 (HB1328) This law requires health maintenance organizations in the state to use a nationally-standardized reporting form in their annual and quarterly financial reports to the state insurance commissioner.

Act 506 (SB425) This law will provide for the voluntary substitution of hospital surveys conducted by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) for surveys conducted by the Arkansas Department of Health when the hospital receives full accreditation during the term of accreditation. This should ease the burden on hospitals in the state that have had to prepare for two certifications within the same year.

Act 1575 (SB897) This new act allows the Arkansas State Police to use some of its money for grants to set up child advocacy centers to help in the identification, assessment and initial treatment of abused children. Qualified children's advocacy centers should: (1) Provide a child-friendly, comfortable place for interviewing children and families, examining the children and initiating services; (2) Provide crisis intervention for the child and family, as well as appropriate referrals for psychological treatment if not available on site; and (3) Provide offices for law enforcement, employees of the Department of Human Services and health care professionals to deliver collaborative evaluations and services.

Act 1591 (HB1955) This strengthens the existing law prohibiting the purchase of tobacco products and cigarettes by minors, and it addresses the use of minors in enforcement of the tobacco control laws by government agencies. The law also provides penalties to businesses and individuals for violations if they sell tobacco products or cigarettes to children under 18.

Act 1331 (HB1525) This act makes it unlawful for a person under 18 to possess, purchase or use cigarettes or other tobacco products (e.g. cigarette papers, Skoal), and it prescribes penalties for violations.

Act 1469 (HB1703) This is the Freedom of Choice Among Health Benefit Plans Act of 1999. It says that citizens covered by health benefit plans should have the opportunity to obtain health care services at an affordable price, and that the cost of health benefit plans can vary depending upon the kind of arrangement the plan has with providers of health care services. This is also known popularly as the "any willing provider" law and gives people the right to choose any doctor or provider they wish even if they have coverage under some type of managed care or HMO plan that restricts their choice of providers. This law is seen as pro-consumer, anti-managed care/HMO legislation, and it had broad support in both chambers. However, it might have a chilling effect on any mental health parity legislation in the future.

Several other pro-consumer/anti-HMO bills were filed such as **HB1049**, which would have prohibited HMOs from placing certain conditions on contracts or on a doctor's communications with patients. HB1049 never got out of its House committee. **HB1352** would have required patient protections in HMO contracts, but this bill was withdrawn.

Act 580 (HB1511) This new act imposes risk-based capital requirements on HMOs. This is basically a quarterly and annual financial reporting mandate on HMOs operating in the state.

Act 624 (HB1224) This act clarifies various provisions of the Arkansas Insurance Code as to payment of benefits by insurers and HMOs when other insurance exists. This seeks to hold HMOs and primary health insurers accountable for paying the full benefits for claims even if a person may have another supplemental or co-insurance policy.

Act 1437 (HB1854) This act removes the three-year state residency requirement for people who are developmentally-disabled and seeking admission to a human development center.

Act 1115 (HB1613) The Prenatal and Early Childhood Nurse Home Visitation Program passed the House and the Senate unanimously. This program provides a nurse to perform home visits to targeted at-risk pregnant women, and follows the women and her child through early childhood. This pilot program is expected to have a significant effect on the child's educational and social outcomes. It has been shown in other states to have preventative effects on a child's potential for future acting-out and violent or criminal behaviors.

Act 1000 (SB787) This law continues the funding for the Health Department's unwed and teen birth prevention program. This passed both chambers unanimously. This act acknowledges that Arkansas needs to stay committed to the problems of unwed and teen births. This program provides local organizations with grants to provide information, education and awareness of various preventative measures, including, but not limited to, abstinence programs.

Act 381 (HB1320) This act amends previous law to include "natural origin and citizenship" as a category under the prohibited reasons for an insurer underwriting new or renewing coverage to individuals.

Act 786 (HB1011) This act allows a person to carry the handgun of their choice rather than the one listed on their concealed carry permit.

Act 51 (SB008) was signed into law on Feb. 11. It requires that applicants for a concealed handgun permit pass a National Crime Information System background check.

Act 101 (HB1006) The Heart Defibrillator Law legalizes public access to small automatic external heart defibrillator machines to treat people that

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have suffered a heart attack or an arrhythmia. It makes these devices available in certain public places, and the general public would be able to get Red Cross training on how to use them. This bill offers good Samaritan protection and sets guidelines for use of these machines. This bill had broad support from health advocates and the medical community. The potential impact on children is that this type of technology could help save a parent's life who might otherwise die from a heart attack that occurs in a public place.

Act 1559 (SB819) This law establishes the Universal Newborn/Infant Hearing Screening, Intervention, and Tracking Program and sets up a state advisory board to oversee this effort. This act seeks to insure early detection for hearing loss for all newborns and infants in Arkansas. This is to be done by any hospital that delivers more than 50 babies per year. This act also provides that Medicaid include this as one of its covered services.

Act 590 (HB1607) This act changes the matching requirements of the rural health services revolving fund to a 25-75 match from a 50-50 match, if a comprehensive community needs assessment has been preformed.

Act 770 (SB249) This act allows the Health Department to perform random health inspections/audits at juvenile holding and detention facilities operated by the Division of Youth Services. (see Juvenile Justice section)

Act 589 (HB1606) This increases the cash incentives for primary care doctors that set up practices in rural communities (cities with less than 15,000 population) or medically underserved areas of the state. The total payments increase from $50,000 over five years (paid in increasing annual installments based on completion of years of service) to $55,000 over four years (paid in a front-loaded amount of $25,000 after the first year and then $10,000 for each year after). This program seeks to address physician shortages and poor health care access in several areas of the state.

Act 1565 (SB856) This law provides that students with special health care needs (chronic illness such as spina bifida, or fragile medical conditions such as juvenile diabetes) will have individualized health plans (IHP), and that schools must carry out these IHPs using licensed or trained health personnel and not classroom teachers or aides.

Act 1200 (SB677) This act establishes a program of quality assessment and improvement, and it requires all health carriers and managed care networks to maintain grievance systems to protect consumers of health care services. This act is a start toward patient protection, but it is a really weak effort in that it allows the health carriers and networks to set up their own internal grievance procedures — that is, they regulate themselves and then report to the Health Department what they have been doing. It also stops short of setting penalties for health carriers that do not comply. It leaves the enforcement and establishment of rules and regulations up to the Health Department. More successful efforts in other states have established independent ombudsman programs where grievances and complaints can be handled.

Act 1588 (SB254) This act provides for the licensure and registration of alcoholism and drug abuse counselors. Most drug and alcohol treatment programs require their counselors to be nationally certified, but this law establishes additional requirements and regulations for substance abuse counselors.

Act 105 (HB1066) This changes the licensing requirements for pharmacists and expands their scope of practice to allow them to perform *disease state management*. It would allow them to manage decisions about a person's care and do some essential teaching as it pertains to the medicine or medicines that person is taking, but only under the supervision of a physician. This bill will likely benefit many Arkansans in rural communities that do not have regular access to a doctor or nurse practitioner. It will allow another group of professionals to be able to provide preventative health maintenance in areas where this sorely needed.

This bill caused an initial uproar because some people felt it was allowing pharmacists to provide immunizations for children and was usurping some of the practice of advanced practice nurses; however, it is much more limited than that. It would not let pharmacists write or authorize prescriptions, nor would it let them provide childhood immunizations.

BILLS THAT DID NOT BECOME LAW

Soda Pop Tax Bills **HB2241** was filed at the last possible moment and sought to decrease the tax on soda pop syrup. Had this bill passed, it would have taken away millions of dollars per year from the Medicaid Trust Fund. **HB2240** would have replaced the revenue from the soda syrup tax with current revenue from the state's taxes on cigarettes.

These bills never got out of committee. Members of the Kids Count Coalition were successful in stopping these bills by reminding House members that the soda tax bill would have overturned the results of a popular vote from 1995. Coalition members were also effective by pointing out how Medicaid expenditures provide millions to the economies of every county in the state.

SB329 The Mental Health Parity bill was defeated in the Senate despite the efforts of the Kids Count Coalition and the Mental Health Fairness Coalition. This bill went through several changes during the committee process. The final bill was patterned after a bill that passed in Missouri, and it was referred to as "Non-mandated Catastrophic Parity." This bill would have covered people with severe and persistent mental illnesses, but insurers would have been given the option of covering mental health or not.

Supporters felt these changes would have given it the votes to pass the Senate; however, once it got to the floor, several key senators spoke out against it, and at voting time, some senators who were initially supporters bailed out on the bill — it was defeated 12-14.

While it was disappointing to have this bill defeated, it did get referred for study to the Interim Committee on Public Health. This will allow supporters to possibly garner the necessary support needed to pass the bill in 2001.

SB410 Commonly known as the Seat Belt Law. This would have allowed law enforcement officers to stop motorists for not wearing seat belts, whereas currently motorists can only be cited for this after being pulled over for another traffic violation. Other states that have passed similar legislation have seen a significant reduction in deaths and serious spinal cord injuries resulting from traffic accidents.

Supporters of this bill viewed it as a law that saves lives as well as tax dollars used for caring for persons incapacitated by injuries suffered in car accidents. Opponents viewed this bill as an unwarranted intrusion into personal rights.

SB612 This bill was referred to the Interim Public Health Committee for further study. It would allow small businesses (2-50 employees) to form purchasing groups that would then be

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Welfare Reform

During the 1999 session, legislation was passed that should have a significant impact on welfare reform and low-income families. One of the most important pieces of legislation to pass was Act 1567, an Act to Revise the Arkansas Personal Responsibility and Public Assistance Reform Act. Sponsored by Sen. Bradford, Sen. Walker, Rep. Laverty and Rep. White, the act is a major overhaul of the state's TEA program.

The bill took several months to draft and underwent several weeks of negotiation between the legislature and its staff, senior DHS officials, the Governor's Office and members of the advocacy community. When finally introduced, the bill was amended to include all members of the House and Senate Public, Welfare, and Labor committees as sponsors. It passed easily through both chambers with no opposition.

Among the major changes made by Act 1567: 1) creates the Transitional Employment Board, a business-dominated board with approval authority over TEA regulations, funding decisions, local TEA coalition guidelines and other issues; 2) imposes greater program reporting requirements, especially with regard to supportive services for TEA clients, as well as requiring greater longitudinal tracking of TEA's impacts on children and families; 3) expands protections for children in families whose cases are closed because of noncompliance by allowing children to remain eligible for cash assistance; 4) requires that exemptions/deferrals to the two-year lifetime limit on cash assistance be granted within 30 days rather than relying on one-time extensions at the end of two years; 5) expands client safeguards by strengthening the process for assessing client needs for supportive services, informing clients of the services the state will provide, and requiring PRAs to list the services to be provided; 6) requires DHS to establish new systems to monitor the provision of supportive services and the closing of cases because of non-compliance; 7) establishes a post-TEA Employment Information and Referral System; and 8) places greater emphasis on education and training as a priority work activity for TEA clients.

Act 1217 The Family Savings Initiative Act, sponsored by Sen. Jay Bradford of Pine Bluff and Rep. Michael Booker of Little Rock, creates an individual development account (IDA) demonstration project for the state. The program, to be funded by $500,000 in TEA money, $100,000 in tax credits and private contributions, will encourage low-income families to save money to buy a house, start a business or get a post-secondary education. The program matches individual savings at a rate of $3 for every $1 saved.

Act 1125 The Arkansas Workforce Investment Act is the state's effort to comply with the Federal Workforce Investment Act of 1998. The act expands Arkansas' efforts to re-define workforce education to better prepare workers and increase employment, retention, and earnings.

A new board is created to oversee the effort. The board will advise and assist the governor in the development of a statewide workforce development plan; coordinate links to avoid program duplication; develop a statewide formula for allocating funds for adult employment and training and youth initiatives; and develop statewide tools (including standards and a data collection and evaluation system) to promote accountability. The board has the authority to promulgate rules and regulations to implement the state workforce plan.

By January 2000, local workforce investment boards must be established to set local policy. A major focus of the act is to improve coordination between existing workforce development organizations and reduce duplication of existing efforts. The act could have a big impact on the implementation of welfare reform at the local level.

Federal welfare-to-work money will be administered by the new structure established under the act. The success of education and training provided to TEA clients will depend, in large part, on the successful implementation of the act.

One provision that could have a significant impact on welfare reform is the requirement that the state, in its workforce development plan, must describe how it will ensure that local workforce investment board plans outline how they will support local TEA coalitions. To date, there has been little coordination between PICs (predecessors of local workforce investment boards) and local TEA coalitions with regard to education and training activities. Hopefully, the new act will promote greater coordination between the two bodies and more effective use of welfare-to-work money.

Act 1014 The appropriations bill for the Employment Security Department (ESD) transfers leftover fund balances (as of June 30) from DHS welfare reform initiatives to ESD. The leftover fund balances will be used for the state's $3 million match to draw down $5-6 million in federal welfare-to-work money from the U.S. Department of Labor.

Special language in the act requires that the director of ESD obtain the review and recommendation from the new state Workforce Investment Board, in coordi-

nation with the new state Transitional Employment Board, before he can allocate state general revenue matching funds and other available welfare-to-work money. The director is also required to implement an in-depth program evaluation process of welfare-to-work activities and report results to the state Workforce Investment and Transitional Employment Boards.

Act 1537 The DHS appropriations bill. In addition to appropriations language allocating state and federal funds to the TEA program, special language in the bill also authorizes the case management field staff of DHS to approve up to $500 per TEA client for client employment-related expenses from special accounts designated for that purpose. To accelerate that process, special language in the act also allows fax copies of client-completed forms or vendor's invoices to substitute as sufficient documentation for expenditure records.

Noticeably absent from the DHS appropriations bill is funding for the five local Governor's Partnership Councils. It appears that $600,000 that was in the bill a few days earlier was deleted and transferred to Developmental Disabilities Services (DDS). The partnerships will now either have to rely on TEA coalition funding for their operations or obtain funding from some other source.

Act 1546 This appropriations bill for the newly-created Transitional Employment Board allocates $432,000 in SFY 2000 and $439,420 in SFY 2001 for the operation and staffing of the board. The act also authorizes the hiring of five staff for the board, including one director, two program directors, an outreach monitor and one administrative assistant.

Act 991 Restructures the membership of the Arkansas Public Transportation Coordinating Board. The act requires that chairman of the TEA Program Advisory Council or its successor (presumably the new Transitional Employment Board) be appointed to the Coordinating Board.

BILLS THAT DID NOT BECOME LAW

SB833 Sponsored by Sen. Bradford and supported by AACF, this bill would have created a refundable state earned income tax (EITC) to support low-income working families. If enacted, the bill would have complimented the existing federal EITC. The amount of the state credit would have been equal to 5 percent of the federal EITC allowable.

The bill, however, failed to get out of the Senate Revenue and Tax Committee. Several committee members cited the bill's revenue impact (projected at $23 million) and their commitment to passing capital gains and property tax relief first as the primary reason for lack of support for the EITC during this legislative session. It must be noted, however, that a state-level EITC was a new concept to many legislators. Like other new ideas, several attempts before this concept garners enough legislative support to pass.

The building of a coalition to support the EITC and legislative education between sessions will almost certainly be required. AACF has long supported the federal EITC and has assisted in annual campaigns to alert low-income families to apply for their fair shares of the tax credit. Ten states have adopted state-level EITCs (five in recent years).

SB333 Introduced by Sen. Edwards and Rep. King on behalf of the Huckabee administration, SB333 would have given employers who employ welfare-to-work clients a tax credit of $1,500 staggered according to the employees' continuous length of employment. A $500 tax credit would have been available after six months of employment, and an additional $1,000 after 12 months of continuous employment.

HB1048 Introduced by Rep. Lendall, this bill would have strengthened existing law protecting employees from job displacement due to an employer choosing to hire welfare recipients. Although not a major problem in Arkansas, other states have reported problems whereby welfare reform has created incentives (such as reimbursement of wages or tax credits for hiring welfare recipients) for employers to hire welfare clients at the expense of current employees. The bill failed to get out of the House Public Health, Welfare, and Labor Committee.

HB1542 Also introduced by Rep. Lendall, the Living Wage Act was the only piece of living wage legislation introduced this session. The bill would have required the state to pay state employees a living wage, defined in the bill as a minimum wage no less than 100 percent of the federal poverty line. That bill also failed to get out of committee.

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Child Welfare

The child welfare system in Arkansas, like the juvenile system, has a documented history of poor care of the children and families entering the child protection system. The impending deadline for the state to comply with the *Angela R.* court settlement was hardly mentioned during the session. There were, however, numerous legislative changes made in current child welfare laws to comply with changing federal mandates and clarify the language and procedures in existing laws.

Act 401 Adoption and Safe Families Act This act clarifies that the juvenile's safety and health is a paramount purpose under the juvenile code. It amends the definition that "long-term foster care" is a permanency planning disposition for the juvenile who will not be reunited with his family or placed for adoption because there is a compelling reason not to terminate parental rights because it is not in the juvenile's best interest or the juvenile is in kinship care.

It clarifies that "reasonable efforts" are efforts of the agency prior to placement, efforts made to reunify after placement and efforts to obtain permanency for children who have been out-of-home for more than 12 months. It provides that reasonable efforts exist when the first contact by DHS occurred during an emergency in which the child could not remain safely at home even with reasonable services being provided.

The act also provides that reunification efforts are not required when a court has determined that the parent has: subjected the child to aggravated circumstances; committed murder of any child; committed voluntary manslaughter of any child; aided, abetted, attempted, conspired, or solicited to commit such a murder or voluntary manslaughter; committed a felony assault that results in serious bodily injury to any child; or had parental rights involuntarily terminated on a sibling of the child.

The law also defines "aggravated circumstances" as when a child has been abandoned, subjected to extreme or repeat cruelty, sexually abused or whenever a judge determines that there is little likelihood that services to the family will result in reunification. Section 5 amends the law to provide that all hearings involving allegations and reports of child maltreatment and foster care shall be closed. This law also addresses various provisions related to reunification, court reviews and permanency planning.

Act 328 Child Welfare Licensing Act It requires that no child shall be placed in a foster or adoptive home if a record check reveals a felony conviction for child abuse or neglect, for spouse abuse, for a crime against children, or a crime involving violence, including rape, sexual assault or homicide, but not including other physical assault or battery. It also restricts foster care and adoptive placement if the record check reveals a felony conviction for physical assault, battery or drug offense committed within the last 5 years.

Act 517 Stand-by Guardian Act Adds a provision for a "stand-by" guardian so any parent who is chronically ill or near death, without surrendering parental rights, can have a stand-by guardian appointed by the court whose authority would take effect upon the death, mental incapacity or physical debilitation and consent of the parent. The guardian shall notify the court upon such event and shall assume the role of guardian to the minor children. The court shall enter an order of guardianship.

Act 1340 Makes more than 30 amendments to the Juvenile Code and Child Maltreatment Act including: (a) changing the definition of "abandonment" to delete the 1 year presumption of abandonment to add a stated intent to forego parental responsibility, (b) adding to the definition of "dependent-neglected juvenile" a child of a parent who is under 18 and is in DHS custody, (c) creating a new definition of "sexual abuse" (d) adding to the definition of neglect as "failure to appropriately supervise the juvenile which results in a juvenile being left alone at an inappropriate age or inappropriate circumstances which put the juvenile in danger", and (e) adding a definition of "caretaker" to mean a parent, guardian, custodian, foster parent or any person 10 years or older entrusted with a child's care by a parent, guardian, custodian, or foster parent, including but not limited to, an agent or employee of a public or private residential home, child care facility, public or private school, or any person responsible for a child's welfare.

Some other noteworthy amendments attempt to clarify how to handle cases that are both delinquency and dependency/ neglect in nature such as: (a) deleting the option of placing an adjudicated delinquent in the custody of DHS, and (b) adding that if a juvenile committed to DYS cannot return home because of child maltreatment that DYS shall immediately contact the Office of Chief Council to petition the court to determine the custody of the juvenile.

Act 36 Clarifies that the Central Intake Unit is the child abuse hotline.

Act 214 Provides that the child abuse hotline shall be provided notification of suspected abuse or neglect upon reasonable cause for suspicion and that the interviewing agency shall immediately notify local law enforcement on all reports of severe maltreatment.

Act 626 Clarifies that notification of initial child maltreatment reports to the prosecuting attorney's office is at the discretion of the prosecutor.

Act 708 Develops a mechanism for the AOC to contract for attorney ad litem representation in dependency-neglect cases and provides for the Supreme Court to develop standards of practice and qualifications.

Act 1438 Provides $1,890,000.00 over the 1999-2001 biennium for professional fees for ad litem representation in dependency-neglect cases. Provides $150,000 over the biennium for attorney fee reimbursement for ad litem representation in chancery and guardianship cases.

Act 1240 Requires DHS to provide parenting, child abuse, substance abuse and famly planning information to parents whose children have been placed in state custody.

Act 1306 Allows a parent to withdraw consent to termination of parental rights within ten calendar days after it was signed.

Act 1363 Provides that children shall have stable placements and that changes in placement shall be made only after notification of the foster child, foster parent, attorney ad litem, the child's birth parents and court. Notices shall be sent in writing two weeks prior to the proposed change and shall specify the reason for such change.

An exception to the advance notification shall be made if the child's health or welfare is endangered by such delay. Medical neglect was amended to provide that in medical neglect cases involving treatment through prayer alone in accordance with a religious method of healing in lieu of medical care, the adjudication order shall be limited to preventing or remedying serious harm to the child or preventing or withholding medial treatment form a child with a life threatening condition.

Act 1575 Authorizes the State Police to contract with or provide grants to Children's Advocacy Center. This does not provide the designated funding for these grants or contracts.

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State Budget

	FISCAL 1999	FISCAL 2000	FISCAL 2001
PUBLIC SCHOOL FUND			
	$1,430,859,791	$1,512,793,799	$1,606,036,927
GENERAL EDUCATION			
Education Department	$12,769,720	$13,361,647	$13,636,332
Education TV	4,022,362	4,351,922	4,333,116
Blind School	4,656,913	4,749,385	4,846,445
Deaf School	7,684,113	8,014,048	8,222,134
State Library	2,727,165	3,012,248	3,059,388
Workforce Education	3,493,106	4,176,305	4,270,614
Rehabilitation Services	11,280,096	12,000,236	12,145,573
Sub Total	**$46,633,475**	**$49,665,791**	**$50,513,602**
TECHNICAL INSTITUTES			
	$15,543,181	$20,728,910	$21,186,187
HUMAN SERVICES			
DHS Administration	$14,673,351	$16,729,684	$16,972,962
Aging/ Adult Services	10,272,063	15,057,119	15,116,328
Child/ Family Services	40,033,247	41,317,619	42,266,850
Child Care/ Early Childhood	0	541,875	549,583
Youth Services	38,206,078	40,476,472	42,573,855
Developmental Disability	39,868,847	42,583,000	44,914,480
Medical Services	3,570,112	4,787,386	4,896,313
DHS - Grants	321,028,386	362,993,496	391,144,387
Mental Health Services	52,411,238	54,315,763	54,932,787
Blind Services	1,823,891	1,842,517	1,866,885
County Operations	39,388,035	41,834,859	42,513,433
Indigent Care	4,934,708	4,934,708	4,934,708
Sub Total	**$566,209,956**	**$627,414,498**	**$662,682,571**
STATE GENERAL GOVERNMENT FUND			
Heritage Department	$4,876,801	$5,084,723	$5,172,472
Labor Department	2,588,947	2,476,594	2,620,130
Higher Education Department	5,225,107	5,881,316	5,943,417
Higher Education - Grants	8,936,548	20,404,352	23,218,427
AEDC	8,913,231	9,403,487	9,717,708
Corrections Department	149,905,233	162,598,111	172,569,972
Community Punishment	27,742,287	29,936,280	30,490,529
Livestock/ Poultry Comm.	3,306,166	3,703,141	3,784,327
Military Department	7,117,947	11,065,102	11,363,635
Parks/ Tourism Department	18,876,175	20,517,463	20,973,637
Environmental Quality Dept.	3,582,410	3,776,853	3,853,453
State General Services	40,856,316	52,064,116	44,633,945
Sub Total	**$281,927,168**	**$326,911,538**	**$334,341,652**

	FISCAL 1999	FISCAL 2000	FISCAL 2001
OTHER FUNDS			
County Aid	$21,552,313	$23,707,544	$26,078,298
Crime Information Center	2,884,851	3,624,313	3,680,582
EMS Enhancement Revolve	500,000	475,000	475,000
Forestry Commission	5,782,838	6,116,766	6,390,353
Merit Adjustment Fund	12,846,358	0	0
Motor Vehicle Acquisition	2,000,000	2,000,000	2,000,000
Municipal Aid	30,136,193	33,149,812	36,464,794
Health Department	49,318,070	53,232,004	54,469,515
State Central Services	15,718,571	15,264,478	30,983,049
State Police	38,895,190	44,502,173	45,438,347
AEDC - Infrastructure	5,000,000	0	0
Plant Board Fund	2,436,792	2,423,114	2,465,676
Breast Cancer Research	800,000	800,000	800,000
Breast Cancer Control	3,200,000	3,200,000	3,200,000
Sub Total	**$191,071,176**	**$188,495,204**	**$212,445,614**
HIGHER EDUCATION (4-Year Institutes)			
Arkansas State University	$38,695,654	$42,876,758	$45,140,772
Arkansas Tech University	16,691,887	18,042,782	18,903,108
Henderson State University	13,812,440	15,061,830	15,810,929
Southern Arkansas Univ.	10,837,031	11,497,249	12,130,068
UA - Fayetteville	83,297,712	90,373,852	95,213,820
UA - Archeological Survey	1,456,429	1,516,604	1,580,109
UA - Agriculture	45,750,644	48,003,747	50,266,640
UA - Criminal Justice Institute	2,978,841	3,064,637	3,187,663
UA - Little Rock	39,827,470	41,727,418	43,817,550
UA - Medical Sciences	59,901,339	63,991,648	67,850,915
UAMS - AHEC	2,300,000	2,300,000	2,300,000
UA - Monticello	9,244,063	9,706,264	10,184,240
UA - Pine Bluff	16,295,011	17,034,793	19,430,594
University of Central Arkanas	33,742,193	38,346,681	40,528,760
Sub Total	**$374,830,714**	**$403,544,263**	**$426,345,168**
HIGHER EDUCATION (2-Year Institutes)			
ASU - Bebee	$9,007,777	$9,720,620	$10,367,084
ASU - Mountain Home	2,007,918	2,365,058	2,632,582
East Arkansas CC	4,899,263	5,126,929	5,371,261
Garland County CC	5,227,801	5,570,218	5,865,586
Mid-South CC	2,303,581	2,442,928	2,606,481
Mississippi County CC	5,127,417	5,544,916	5,912,058
North Arkansas College	6,569,746	6,863,055	7,186,466

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Continued from Previous Page

	FISCAL 1999	FISCAL 2000	FISCAL 2001
MORE HIGHER EDUCATION (2-Year Institutes)			
Northwest Arkansas CC	$4,060,599	$5,911,106	$7,101,112
Phillips County CC	7,437,514	7,719,683	8,068,603
Rich Mountain CC	2,596,699	2,686,978	2,801,503
SAU Tech	5,716,250	6,213,336	6,452,656
South Arkansas CC	4,987,515	5,178,312	5,411,202
UA - Batesville	2,656,464	2,754,004	2,883,124
UA - Hope	3,322,875	3,511,631	3,720,564
Westark CC	13,892,009	15,273,690	16,416,861
Sub Total	**$79,862,728**	**$86,882,464**	**$92,797,143**
TECHNICAL COLLEGES			
Black River	$4,264,502	$4,432,645	$4,664,767
Cossatot	2,201,933	2,304,332	2,430,593
Ouachita	2,319,114	2,419,599	2,547,078
Ozarka	2,012,576	2,113,020	2,233,835
Petit Jean	3,166,228	3,306,398	3,478,138
Pulaski	4,665,791	5,856,152	6,700,388
Southeast Arkansas	3,712,975	4,009,151	4,300,702
Sub Total	**$22,343,119**	**$24,441,297**	**$26,355,501**
PERFORMANCE (All Institutions)			
	$0	**$2,810,940**	**$4,462,571**
GRAND TOTALS			
	$3,009,281,308	**$3,243,688,704**	**$3,437,168,936**

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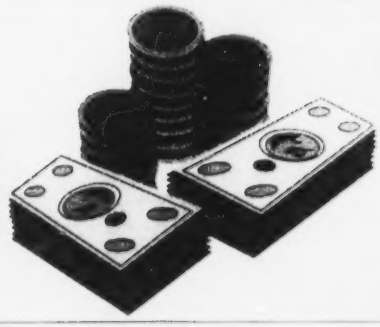
Taxes In 1999



A SPECIAL INSERT TO KIDS AT THE CAPITOL JUNE

Tax Relief, Tax Predictibility: Property Taxes Dominate Session

Property taxes dominated the tax agenda during the recent legislative session. There were two major themes. One was to provide limited property tax relief. The other was to make property taxes more predictable.

Act 1125 (SB380), sponsored by Sen. Jim Scott (D-Warren), is an attempt to promote uniformity and regularity in the assessment of real property. Each county is required to appraise property at its full and fair market value at a minimum of once every three years. Approximately one-third of the state's counties are to complete reappraisal in the year 2002; one-third of the counties in the year 2003; and one-third in the year 2004.

Act 416 (HB1051), sponsored by Rep. Jim Milum (R-Harrison), requires that property owners be notified prior to reappraisal of their property by the county assessor.

Act 572 (HB1299), sponsored by Rep. Ted Thomas (R-Little Rock), establishes an Arkansas Property Taxpayer's Bill of Rights. The Bill of Rights requires that county-wide reappraisals be completed by July 1 of the year in which the reappraisal is scheduled; requires taxpayer notification of value changes no later than 10 business days after July 1 of the assessment year; strengthens the information required as part of change-in-value notices and tax bills; and strengthens taxpayer appeal rights in appealing decisions before equalization boards and the courts.

Act 900 (HB1247), sponsored by Rep. James Luker (D-Wynne), expands the number of taxpayers eligible for a homestead property tax refund, ranging from $100 to $325, by increasing the income thresholds for eligibility (top income level set at $30,000 annually). Only low-income homeowners age 62 or older are eligible for the refund. The estimated revenue loss from Act 900 is $5.7 million in fiscal 2000 and $25.2 million in fiscal 2001.

Act 900 would be repealed if the voters approve a proposed constitutional amendment **HJR1015** in November 2000. The amendment would require that all property taxes on owner-occupied homesteads be reduced by $300 beginning in 2001. Early projections are that the amendment would mean that nearly half of all Arkansas homeowners would pay no property taxes. The amendment would also limit the growth in the assessed value of a property owner's principal homestead to no more than 5 percent per year as the result of county-wide reappraisal. If HJR1015 is approved, it would be implemented through **Act 1492 (HB2053)**.

The estimated revenue loss to school districts and cities and counties resulting from Act 1492 would be about $178.4 million in 2001. To hold schools and localities harmless and replace the lost revenue, Act 1492 would increase the state sales tax by one-half cent.

Unlike Act 900, which targets elderly low- and middle-income homeowners, Act 1492 would be broad-based property tax relief for all Arkansas homeowners. Moreover, Act 1492 would replace the lost property tax revenue with an increase in the sales tax, considered to be one of the more regressive taxes on low-income families.

Taxes In 1999, a publication of AACF's State Fiscal Analysis Iniative, is jointly funded by the Annie E. Casey Foundation, the Charles Stewart Mott Foundation and the Open Society Institute. Technical assistance and support is provided by the Center on Budget and Policy Priorities and the Center for the Study of the States.

INCOME & CAPITAL GAINS TAXES

Act 417 (HB 1123), sponsored by Rep. Teague, expands eligibility for a state income tax credit of $500 per child by changing the definition of eligible children from "mentally retarded" to "developmentally disabled."

Act 1005 (SB23), sponsored by Sen. Jim Hill, co-chair of the Senate Revenue and Tax Committee, exempts 30 percent of capital gains income from taxation and removes the 6 percent cap on the tax rate applied to such income. The top tax rate for capital gains is now 7 percent, the same as that applied to regular wage income. The projected revenue loss from Act 1005 is estimated at $12.4 million during fiscal year 2000 and $13.3 million in fiscal year 2001.

Sen. Hill's bill was seen as the more conservative approach to cutting capital gains taxes given uncertainty over property taxes. **HB1186**, by Rep. Tom Courtway, which would have eliminated the capital gains taxes, was not adopted.

Act 817 (SB485), by Sen. Hill, exempts from state income taxes up to $6,000 per year of benefits received from an Individual Retirement Account for people age 59 and older. Act 817 has a projected revenue loss of $3.2 million in fiscal year 2001.

Act 144 (HB1081), by Rep. Lancaster, incorporates into state law recent federal tax changes concerning Roth IRAs. Unlike traditional IRAs, contributions into Roth IRAs have already been taxed, but the withdrawals at retirement are tax free. Adoption of federal provisions is expected to cost the state about $400,000 per year.

Act 513 (SB467) adopts federal tax provisions concerning educational IRAs designed to encourage parents to save money for their children's education. The revenue loss is projected at around $1 million per year.

Act 1217 Family Savings Initiative Act Sponsored by Sen. Jay Bradford of Pine Bluff and Rep. Michael Booker of Little Rock, this act creates an Individual Development Account (IDA) Demonstration project for the state. The program, to be funded by $500,000 in TEA money, $100,000 in tax credits and private contributions, is designed to encourage low-income families to save money to buy a house, start a business or get a post-secondary education.

The program matches individual savings at a rate of $3 for every $1 saved. The matching funds deposited into an IDA account, as well as the interest or dividends earned on the account, are exempt from income in determining the family's state income tax liability. A state income tax credit, capped at $100,000, is available for companies and individuals that make charitable contributions to an IDA program.

SALES TAXES

If a proposed constitutional amendment **HJR1015** passes in November 2000, **Act 1492** would take effect, thereby increasing the state sales tax by one-half cent. The state sales tax rate is currently 4.6 percent.

GASOLINE TAXES

To fund a new highway building and repair program, the legislature passed **Act 1028 (HB 1548)**. Act 1028 increases gasoline taxes by 3 cents per gallon, starting with a 1-cent increase this July, and another cent on July 1 each of the next two years. Act 1028 also raises the tax on diesel fuel 4 cents, starting with 2 cents more per gallon this month and 2 additional cents in April 2000. The current state tax on motor fuel and diesel is 18.5 cents per gallon. When fully implemented, the taxes are expected to raise about $70 million in new revenue.

BILLS THAT DID NOT BECOME LAW

The most notable defeat during the 1999 Arkansas General Assembly was legislation that would have abolished the state sales tax on food and groceries. **SB6** by Sen. Bud Canada would have exempted food from the sales tax and replaced the lost revenue by raising the sales tax rate on other taxable items. **HB2090**, by Rep. Roger Smith, would have gradually phased out the sales tax on food, but would have relied primarily on economic growth to replace the lost revenue.

Three factors helped contribute to the bills' defeat. One was uncertainty over property taxes and HJR 1015, which if approved by voters in 2000 will raise the state sales tax by one-half cent and make another sales tax increase to pay for the exemption of food very problematic.

A second factor was opposition from numerous lobbying groups, most notable pro-business groups who opposed the raising of the sales tax on other items. A third factor (especially with regard to Smith's bill, which would not have raised the sales tax rate on other items to replace the lost revenue) was concerns about the stability of the sales tax base. Some feared that exempting food, coupled with increasing Internet sales that escape the sales tax reach, would have made the sales tax base too unstable as the state's major source of revenue, especially if a recession were to occur.

SB833, sponsored by Sen. Bradford and supported by the advocacy community, SB833 would have created a refundable state earned income tax (EITC) to support low-income working families. If enacted, the bill would have complimented the existing federal earned income tax credit. The amount of the state credit would have been equal to 5 percent of the federal ETIC allowable.

The bill, however, failed to get out of the Senate Revenue and Tax Committee. Several committee members cited the bill's revenue impact (projected at $23 million), and their commitment to passing capital gains and property tax relief first as the primary reason for lack of support for the EITC during this legislative session.

AACF has long supported the federal EITC and has assisted in annual campaigns to alert low-income families to apply for their fair share of the tax credit. Some 10 states (five in recent years) have adopted state-level EITCs.

A state-level EITC is a new concept to many legislators. Like other new ideas, it may take several attempts before this concept garners enough legislative support to pass. The building of a coalition to support the EITC and legislative education between sessions will almost certainly be required.

HB1187, by Rep. Andrew Morris, would have increased the state's income tax credit for dependents from $20 to $30 per dependent. The bill, approved by the House 96-0, was defeated in the Senate Revenue and Tax Committee.

The bill was defeated despite the efforts of Rep. Courtway, chairman of the House Revenue and Tax Committee, who had offered an amendment to delay the increase in the tax credit until fiscal year 2001. The bill would have cut state general revenue by approximately $6 million per year.

HB 1342 Family Preservation Act By Rep. Minton and Sen. Beebe, the purpose of the bill was to provide tax incentives to encourage families to have one parent stay home with their children. HB1342 would have made Arkansas families eligible for state income tax credits up to $1,000 if they met certain conditions.

The credit would have been available to a taxpayer who had a dependent child age 6 or younger, annual income of $32,000 or less; and a spouse who was not employed the entire tax year for which the credit was taken. The estimate revenue loss to the state because of HB1342 would have been $14 million per year.

SB282, by Sen. Critcher, would have exempted vehicles that sell for less than $5,000 from the state sales tax. Currently, only vehicles that sell for less than $2,500 are exempted from the state sales tax.

Although SB282 would have cut states sales tax liability by about $300 per purchase, the bill would have cost the state about $9.6 million in lost revenue per year.

SB333 Introduced by Sen. Jean Edwards and Rep. Barbara King on behalf of the Huckabee administration, SB333 would have given employers who employ "welfare-to-work" clients a tax credit of $1,500 staggered according to the employees' continuous length of employment.

A $500 tax credit would have been available after six months of employment ,and an additional $1,000 after 12 months of continuous employment.

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NACA NETWORK NEWS

A Publication of the National Association of Child Advocates

The National Association of Child Advocates (NACA) is a nationwide network of 60 state and local child advocacy organizations in 44 states. NACA is the only national organization committed to strengthening these vital organizations.

SPRING 1999

Uncle Sam Needs to Hear from You!

The 106th Congress looks a lot like the 105th. The most flexible federal funding stream for low-income families, the Social Services Block Grant (SSBG), is on the chopping block again, and S. 10, a punishing juvenile justice bill which was stopped last Congress, has reappeared as S. 254.

Since its 1975 passage, SSBG funding increased steadily, reaching $2.8 B in FY96. However, since 1996, the appropriation level has been reduced each year; most recently to $1.7 B by FY01. Congress wants to cut it again this year. With these decreases, families who rely on SSBG- funded services such as child care and family support will be hard hit. Contact Reps. Young, and Obey (202-225-3121) and Sens. Stevens and Byrd (202-224-3121).

Regarding juvenile justice, S. 254 is only somewhat less problematic than its predecessor. This bill proposes drastic changes in the way children are prosecuted in the federal system and fails to provide key protections for incarcerated youth. Contact the Youth Law Center (202-637-0377). ■

In the Wake of Welfare Reform, National Numbers Better than Anticipated

The impact on children of the fundamental shifts in American social policy since the early 1990's will not be truly known until well into the next decade. New reports are, however, giving us the first glimpses of adult work patterns under the new federal welfare program, Temporary Assistance to Needy Families (TANF).

The Department of Health and Human Services (HHS) data recently released on TANF families from 37 states surprised most advocates. Nationally, of the approximately 520,000 TANF family heads participating in work activities from July through September 1997, nearly 70% (about 355,000) were in unsubsidized employment. About 4,000 were in subsidized employment, 1,000 in work experience, 4,300 in job search, 1,500 providing child care and more than 16,000 in community service programs. These figures are lower than had been anticipated. By contrast, a surprisingly large proportion (about 24%) of TANF family heads were in some kind of education or training: about 73,500 in on-the-job training, 40,000 in other kinds of job training, and 9,000 teens in school. These numbers are much higher than advocates had expected them to be.

While these figures are encouraging, child advocates should still be concerned that we don't yet know enough about how TANF policies are affecting children. NACA has recently released an issue brief which describes some of the ways in which states have taken advantage of TANF flexibility and adopted innovative policies that protect and benefit poor children. The issue brief, *Stretching the Limits: How States are Using Welfare Flexibility to Support Children*, may be ordered from NACA (see contact information on reverse). ■

Business Leaders Making Children's Issues a Priority

Ben Cohen, co-founder of Ben & Jerry's, has founded Business Leaders for Sensible Priorities. BLSP's goal is to increase public investments in community programs that address education, health care and other children's needs by shifting $40 B annually from the Pentagon budget to human service programs. NACA has joined the team as the lead organization on issues affecting children. As such, children's issues will be at the forefront of BLSP's nationwide traveling bus tour, which kicked off in April in Washington, DC. The tour will focus attention on federal budgetary decisions and their impact on children's issues. To add your voice to those concerned about this issue, contact Gary Ferdman at (212) 964-1109. ■

New Tool for Child Health Advocates

Child health advocates just got a valuable new tool from an unexpected quarter. With Medicaid enrollment falling in many states and CHIP enrollment numbers still too low, advocates have vociferously faulted states' outreach and enrollment efforts. NACA , and many NACA network members have urged states to boldly pursue eligible children and have complained about apparent inaction on the part of the Health Care Financing Administration (HCFA), the federal agency which administers and oversees Medicaid and CHIP in partnership with the states. We now have an unanticipated but welcome new ally-HCFA itself.

HCFA, along with HHS' Administration for Children and Families, has just published a very important new guide to Medicaid and CHIP with a pro-active approach to outreach and enrollment. Its focus is on ensuring that families on TANF, families leaving TANF, and low-income working families not eligible for TANF are not denied access to Medicaid and/or CHIP benefits for which they are eligible. A copy of the guide *Supporting Families in Transition: A Guide to Expanding Health Coverage in the Post-Welfare Reform World* can be found on HCFA's website: www.hcfa.gov/medicaid/welfare.htm. A clear and forceful letter to state Medicaid directors on the issue can be found at: www.hcfa.gov/medicaid/wrdl3229.htm.

The Guide is a comprehensive but user-friendly document with a great deal of helpful information on both Medicaid and CHIP. It clearly identifies what states are required to do in relationship to TANF, Medicaid and CHIP for each of three groups of children and families: those who are on TANF, those just leaving TANF and those not eligible for TANF. It also identifies areas in which states have flexibility in serving each of these groups that might make access easier for kids and families, e.g., streamlining and simplifying the enrollment process or improving the coordination between these programs.

In addition, the Guide has a concluding section discussing funding sources available under Medicaid, CHIP and TANF for outreach activities, systems changes, training, and other strategies for improving compliance with program rules and for maximizing health coverage for low-income children. For example, the Guide discusses a special $500 M Medicaid fund for states created under TANF to help them carry out the new responsibilities for enrollment and outreach created by the delinking of Medicaid and the welfare program. Only a few states have taken advantage of this fund; advocates should work with their states to apply for the funding to bolster efforts to improve access to health care for low-income families.

In a briefing at the release of the report on March 31, HCFA officials assured advocates that program rules will be actively enforced. If advocates know of areas of noncompliance in their states, and efforts to correct them are not successful, they are encouraged to contact HCFA regional offices or write to Sally Richardson, Director, HCFA Center for Medicaid and State Operations, 7500 Security Blvd, Baltimore, MD 21244. ■

Substance Abuse Treatment and Permanency for Children

Findings of a new report are heightening child advocates' concerns about the shortage of substance abuse treatment services for parents. The report, "No Safe Haven", by the National Center on Addiction and Substance Abuse, finds that parental addiction causes or worsens seven out of ten cases of child abuse/neglect, and that the children of addicted parents are three times more likely to be abused. Because of the shortage of appropriate treatment services for parents and because recovery is often a long process, this report points to the likelihood that many families in the child welfare system will be impacted. The new, shorter time lines for permanent placement for children put in place by the federal Adoption and Safe Families Act (ASFA) may prevent the reunification of many of the families with addiction problems. ■

NACA NETWORK NEWS

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